House Bill 7124
An Act Concerning Maximum Allowable Cost Lists and Disclosure by Pharmacy Benefit Managers

Insurance and Real Estate Committee Hearing
Thursday, March 2, 2017

Senator Larson, Senator Kelly, Representative Scanlon, Representative Sampson and Distinguished Members of the Insurance and Real Estate Committee:

My name is David Benoit. I am a pharmacist and Vice-President of Patient Care Services for Northeast Pharmacy Service Corporation, a buying group (GPO) representing the majority of independent pharmacies in Connecticut and nearly three hundred in New England. I have been involved with contracts for prescription drug programs for nearly twenty years. I am here to testify in **support of House Bill 7124 An Act Concerning Maximum Allowable Cost Lists and Disclosure by Pharmacy Benefit Managers.**

Maximum Allowable Cost (MAC) was implemented by the federal government in August of 1976. The states used the MAC to pay Medicaid claims.

In order for a product to be included on the MAC list, it had to be generally and consistently available from multiple sources. The MAC was a single unit price that was set based on the price of products available for pharmacies to purchase at or below that MAC.

Through the '90s and beyond, the Prescription Benefit Managers (PBMs like Caremark and Express Scripts) morphed the MAC into their individual secret, proprietary pricing scheme that is in place today.

At one time, it was very unusual for a pharmacy to get paid less than cost for filling a generic prescription. Recently, the generic industry has been in a state of consolidation and product discontinuations. Prices in many cases have increased 1000% and more from one day to the next. The number of affected products has grown to more than 1,000 items it seems. This problem is very real and is the subject of federal scrutiny.

Approximately thirty-nine states have already passed MAC legislation including Rhode Island, New Hampshire, and Maine. Massachusetts has been considering similar legislation. Further, in states that have passed related legislation, no state has reported a negative fiscal impact due to MAC legislation.

This MAC bill mandates that PBM contracts include a process enabling network pharmacies to appeal reimbursements that are below cost. The right to appeal is fundamental due process that appears throughout state and federal law. CMS currently requires Part D contracts to include a MAC appeals process. CMS also requires that generic MAC prices reflect actual market prices. The mandate in this bill is similar the generic price appeals process for MACs that was in effect for Connecticut's state Medicaid program until last year.

The same plan employees who reduce reimbursements when the acquisition cost of generic products decrease ought to be able to reciprocally increase the reimbursements when prices go up. Their intelligence must include information about price, both increases and decreases.

House Bill 7124, seeks to enhance transparency by requiring PBMs to disclose whether the same MAC list is being used to pay the pharmacies and to bill the plan. This transparency would level the playing field among PBMs when plans are evaluating PBM contracts.

I would also like to suggest that it be very clear that published MAC list updates must include updated pricing, which is the point of the matter.

PBM finances should not interfere with the choice of cost-saving multisource medication that the physician has prescribed for the patient. Patient access to cost-effective multisource generics should be a guarantee.

Please support House Bill 7124.

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